

10 May 1976

STATINTL

MEMORANDUM FOR: DD/Pers/P&C

FROM :
Chief, PMCD

SUBJECT : PMCD Comments on the Inspector General Survey Report

1. Before commenting on the observations and recommendations relative to PMCD as contained in the IG Survey Report, I believe it appropriate to review briefly the historical development of the Federal Compensation System in the light of several recently-expressed Administration concerns which involve position classification.

2. One of the dynamic factors central to the evolving scope and structure of the Federal Compensation System has been the changing nature of the workforce needed by the Federal Government to perform its mission. The growing complexity of the Federal mission has led to a parallel growth in the variety of skills required in the Federal workforce, as reflected in the great number of distinct occupations and jobs found today in the Federal Government. It is the task of the classification and pay system to keep pace with these developments in order to establish fair and equitable salary distinctions among the myriad occupations and jobs in the Federal service. The need to establish and maintain this appropriate internal alignment of pay rates within the Federal service has been a continuing problem for Congress and the Executive Branch. (1)

3. Over the years, the Federal Compensation System has developed from a simple, almost ad hoc, process to the current highly structured and intricate system. According to legislation passed by Congress in 1795, Agency heads could use their own discretion to determine how many clerks to hire and how much to pay them, provided that the Agencies did not exceed either their appropriations for salaries or the maximum salaries established by Congress. From 1818 to 1830, Congress used what came to be called the "Statutory Role" system of appropriating money for Federal salaries. A specific number of clerks was allocated to each Agency, and a ceiling was placed on salaries paid to "principal clerks". Such wide discretion on the part of Agency heads to manipulate salaries was the seed of inequity in Federal salaries, not only among but within Agencies. With the growth of Federal Service and proliferation of Agencies, Federal employees began voicing concern about the lack of systematic internal alignment in the Federal Service. For almost a hundred years, Congress recognized the need for some means of attaining this goal but it was not until the Classification Act of 1923 that Congress established a formal policy of systematic

internal alignment. Such a policy was expressed in that Act as requiring "equal pay for equal work" for all employees subject to the Act.⁽²⁾ This policy was reaffirmed in the Classification Act of 1949 which created the present General Schedule (GS) System. Although CIA was exempted from the Classification Act of 1949, the Agency is on record that it would follow the basic philosophy and principles of the Act.

4. During the past eighteen months there have been voiced a number of additional concerns relative to Federal compensation and the job classification effort. In early 1975, President Ford expressed his concern over rising personnel costs in Government and asked the help of heads of Departments and Agencies in slowing the upward trend. CIA's support for these efforts was reaffirmed in May 1975 in a letter to the Director of OMB in which our scheduled position management/classification surveys were listed as one means of insuring maximum efficiency and economy in the use of personnel. The Civil Service Commission in its report to the President also listed position management and classification as one of several planned CSC initiatives to promote cost reduction in personnel management.⁽³⁾ Additionally, the Comptroller General's Report to the Congress in December 1975 stated that the classification of Federal White-Collar Jobs should be better controlled.⁽⁴⁾ Specifically, the Report stated that "weak controls and pressures exerted on job classifications have resulted in overgraded Federal positions", and that "top Federal management must make a commitment to improve job classifications and to organize the work of Federal Departments and Agencies economically".

5. It is hoped that these background comments will help place in proper perspective the attached PMCD response to the Inspector General survey report.

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Attachment: PMCD response to IG Survey Report

- (1) CSC: Studies of Federal White-Collar Compensation (October 1975)
- (2) Ibid
- (3) CSC: Report to the President on Cost Initiatives in Personnel Management (November 1975)
- (4) GAO: Report to the Congress: Classification of Federal White-Collar Jobs Should Be Better Controlled (December 1975)